

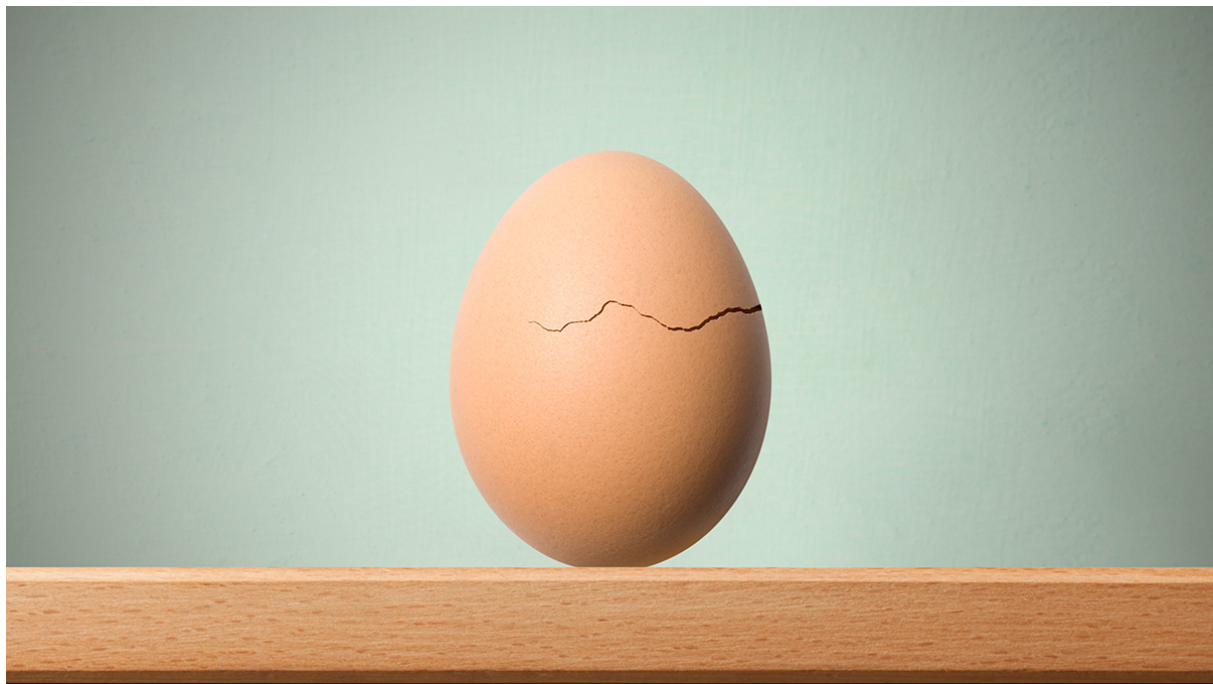
Harvard Business Review

Talent Management

What Makes a Company Great at Producing Leaders?

by Sarah Abbott, Robin Abrahams, and Boris Groysberg

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Summary. GE is well known as an “academy company” — a talent incubator that exports effective leaders to other organizations and even industries. To better understand which companies are top talent incubators today, the authors worked with the Official Board, a... [more](#)

In 2018, 31 companies listed on the S&P 1500 were led by former GE employees. GE is what was known as an “academy company” — an elite company that produces more talent than it holds on to, exporting effective leaders to other organizations and even industries. These talent incubators have been a feature of the business world since the 1970s.

In an effort to better understand the landscape of talent incubators in the 2020s, the Official Board, a firm that provides data on corporate organizational charts and executive movement, surveyed 853 executives on the topic in January and February 2023, asking for their thoughts on which companies are top talent incubators, and what qualities or practices make them unique. “Executive” was defined as a member of the board of directors, CEO, an executive reporting directly to a CEO, or a manager reporting to a CEO direct report. Our survey respondents worked at medium-to-large companies with more than \$100M in annual revenue, including Global Fortune 500, Global Forbes 2000, and Russell 3000 companies. The survey was supplemented by our interviews with executive search consultants.

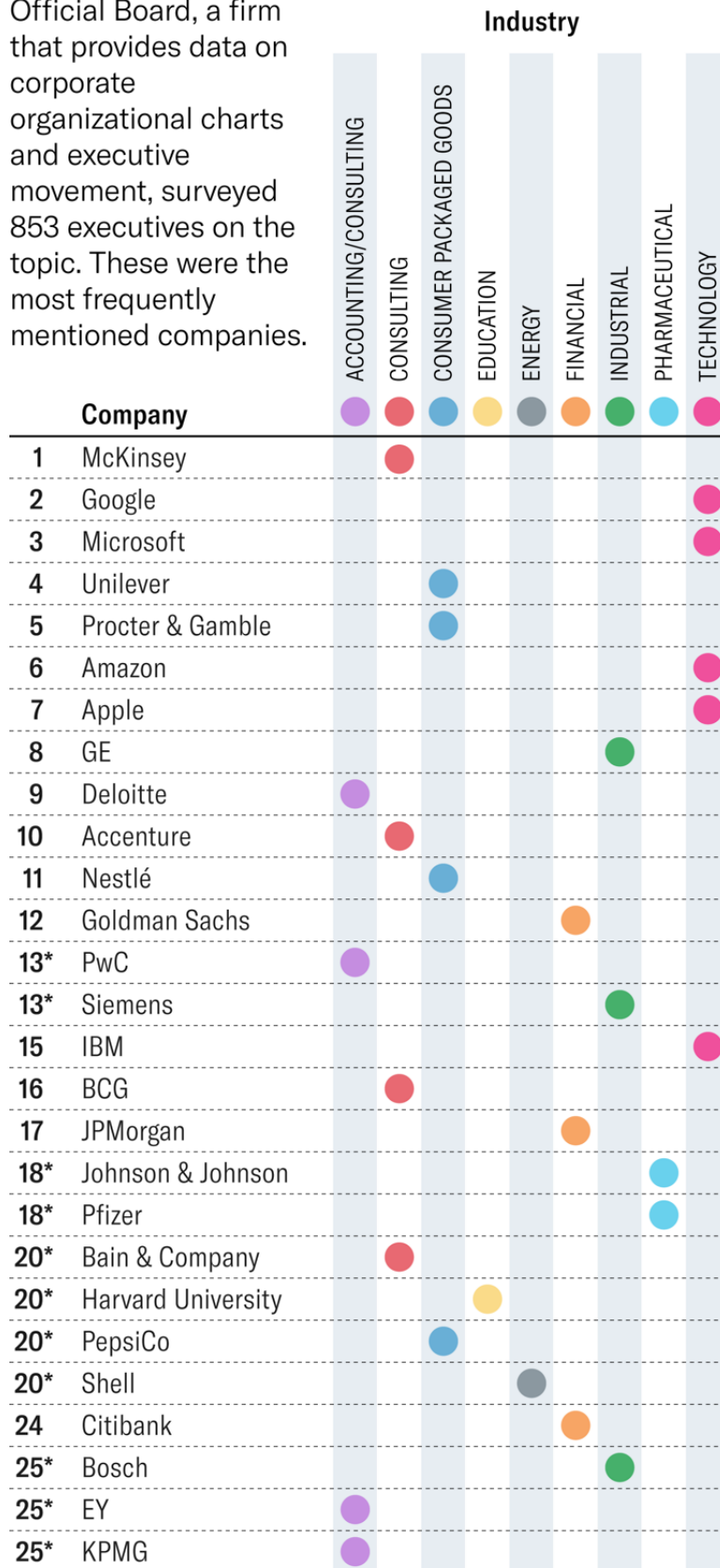
Survey respondents identified their own function, industry, and region and were then asked to name the top three talent incubators in each of those categories. The consolidated table below lists the 25 most frequently mentioned companies.

Which Companies Are Top Talent Incubators?

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To better understand which companies are top talent

To better understand which companies are top talent incubators today, the Official Board, a firm that provides data on corporate organizational charts and executive movement, surveyed 853 executives on the topic. These were the most frequently mentioned companies.



*Denotes a tie

Source: The Official Board



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Most of the above organizations are in the knowledge-based industries. This is typical of talent incubators — the extended investment in HR and development required to be a talent incubator is easier to find in industries with high profit margins (e.g., consumer packaged goods/“CPG” and consulting) compared to those with slimmer margins (such as restaurants).

Among the top 25 most mentioned companies, four were consultants (hardly surprising, since developing expertise is part of such organizations’ core business) and five were technology companies.

There’s a distinct difference — and, to some extent, a cultural disconnect — between the approach of the classic talent incubators of the twentieth century and today’s heavy hitters. “There’s a lot of people who grew up in the industrial, CPG, Pharma East Coast where there was a 20-year legacy of serious thought about best practices,” one search consultant explained, continuing:

And then we have kind of a different community in Silicon Valley that is kind of the “cool kids.” Anyone over 30 can’t be trusted, and anything that’s conventional we’re not going to do. They move fast, and they do things differently, and there’s a lot of innovation there, but the flat rejection of anything that smells of legacy academic talent factories, I struggle with. Those worlds tend to be pretty bifurcated. [A bank] comes to me and says we want someone from Google. And I say, “No, you don’t. That’s the worst thing you could do.”

Another search consultant was more positive about technology companies as sources of talent “because they’ve had to navigate the digital challenges, and...[navigate] cycle changes that have been much faster than some of the traditional academy companies.”

What Talent Incubators Do Differently

Survey respondents were asked, “When considering the companies you listed above, what specific things do they do to make themselves academy companies?” as an open-ended question to which they could respond in their own words, at length. We received more than 500 responses and identified four qualities that distinguish today’s talent incubators.

They take a strategic approach to attracting, developing, and retaining talent.

These organizations are viewed in the marketplace as a source of high-quality talent. “People go to these companies to learn and build their careers,” one respondent wrote. “They lay the

foundation stones of great businesspeople.” Another noted that talent incubators “regularly churn out the best executives, who become industry leaders.” But it’s not just senior leaders; another respondent noted that these companies produce “‘plug and play’ mid-level management and project pros” who can “enable any company to bring their product to market faster and with better results.”

Talent incubators’ reputations make them attractive to top talent worldwide. These firms have “well-defined processes” for recruitment — for both new graduates and experienced hires. Survey respondents noted that talent incubators “seek a range of options to attract diverse talent” and “take risks on talent.”

In addition to recruitment and hiring, talent incubators also excel at identifying and investing in talent within the organization. They are known as good places to be from, but also good places to stay. One respondent noted these companies have a “commitment to develop leaders at all levels of the organization” and opportunities for internal mobility (upward, horizontal, and international).

However, these companies anticipate a certain degree of attrition. One search consultant suggested that a key practice is “about keeping the best and letting the rest go.” Since “the rest” go to positions in all sorts of industries, talent incubators maintain “strong alumni networks,” which can be a great strategic advantage for an organization. Alumni are powerful ambassadors and sources of intelligence for former employers.

Finally, survey respondents noted that talent incubators balance their role as thought leaders with “keeping their knowledge inside the company” through documentation and “making sure the lessons learned are passed on to the next generation.”

They heavily invest in training and development.

Talent incubators take a long-term view toward people development, with sponsorship from the very top of the organization. In talent incubators, as one respondent noted, “continuous development is the part of the company mission, not rare or occasional.”

Survey respondents identified a wide variety of training and development experiences offered by talent incubators, including:

- Onboarding
- Internal courses and classes
- Sending employees for external training or education
- Tuition reimbursement
- Partnerships with external educational institutions
- Industry certification training
- Mentoring and coaching (formal or informal) within the organization
- Executive coaching (external professional coaches)
- Early on-the-job experience and the opportunity to “make or influence a broad array of strategic and tactical decisions and to lead people”
- Job rotation
- International assignments

Many respondents noted that talent incubators put great emphasis on breadth of experience, seeking to provide, as one person highlighted, a “diversity of experiences across businesses, functions, and geographies” for upcoming leaders through “cross-functional and cross-border rotation.” When job rotation is not possible, companies might use other programs to ensure that different departments understand each other. One respondent noted a biotech company that provided “business training for doctors and other clinicians, and broad exposure to clinical medicine issues for business and administrative folks.”

The skills and subjects of training and development efforts mentioned on the survey were similarly comprehensive:

- Functional knowledge
- Industry knowledge
- Ethics
- Hands-on leadership
- Management
- Operations
- Negotiation
- Communication skills
- Emotional intelligence
- Strategic thinking
- Data and analytics
- Change management

New hires at talent incubators are put into a “rigorous development program that shows new talent what ‘good looks like,’” and they’re provided with “good and patient mentors who welcome young talents with a lot of inclusivity,” one respondent

noted. Some organizations, notably professional-service firms, bring on new talent in cohorts and put them through training together. New hires are provided early on with the opportunity to make decisions with real consequences and to work on “projects where quick learning is achieved via success and/or failure.”

This development is individualized and targeted. As one person explained, talent incubators offer “multi-year programs that provide assessments and coaching (both internal and external). They identify gaps and growth areas and provide assignments to address them” to achieve a culture of “meritocracy over politics.” Trainings connect the individual career plans to succession planning on the organizational level via “a strong C-Suite/elected leader pipeline program that focuses on candidate strengths and gaps.”

They have strong culture and internal operations.

Talent incubators are identified by having high-performance and high-value cultures that support learning; sufficient resources to dedicate to development; and excellence in operations.

Sixty-five respondents mentioned “culture” as a factor, mentioning teamwork and “helping each other”; excellence and high performance; and an emphasis on growth and learning, including an “ethos of learning from mistakes and moving on.” These cultural values, particularly that of “investing in people,” must be exemplified by the leaders and communicated inside and outside the organization.

Talent incubators “have the resources and determination to constantly invest in the development of their leaders.” These resources include sufficient money to invest in training programs; a solid HR function; and a scale that is “big enough to have many positions to learn from, and breadth across industry.”

They are also characterized by internal “operational excellence,” which enables them to support the outstanding talent that they nurture. This includes “consistently high-quality management” and a history of good decisions around organizational change, adopting new technologies and processes, and a “systematic approach to problem solving, clear processes, and KPIs.” They utilize “standard operating systems” and “strong tools & models” that are employed “across sites and business units.” Recruitment is helped by the fact that such companies are usually good employers “and often win ‘best place to work’ awards.” Respondents mentioned competitive “pay and perks,” good “people management” policies and procedures, and an organizational structure that supports managers and empowers employees.

They are respected in the broader environment.

Talent incubators have a reputation for sustained excellence — they set the industry standard with high-quality customer experience, innovative products, and strong intellectual property. Their brands are “relevant in culture and therefore relevant in people’s lives,” as one respondent said. “They have ambitious targets and tend to deliver results,” another said, while another noted that their “products and services are delivered safely and in compliance with industry and legal regulations and standards.”

Talent incubators also tend to have a dominant market share. Respondents mentioned robust EBITDA, profit/revenue, free cash flow, and consistent growth for shareholders. At the same time, respondents suggested that these companies have a “demonstrated commitment to stakeholder value, not just shareholder value.” This results in a good reputation among employees, investors, customers, and suppliers.

Responding to and Shaping the Environment

Taken as a whole, survey responses paint a picture of talent incubators with an outsized ability to both respond to and shape their environment. They “play on offense and embrace change” and are the organizations “that do not follow the trends but create the trend.” And yet these long-lived organizations aren’t scrappy upstarts with disruption as their only credo. As one respondent put it: “We’re living in a paradox. Most new things fail. And most old things die. The hardest part is to move forward always being deeply rooted in your vision and your main business, and at the same time, always innovating and trying new ways to make things better to stay relevant and ahead. New and old must live together, it’s never either/or.”

How do talent incubators strike this balance? An emphasis on long-term thinking and core value propositions keeps them grounded. Meanwhile, they are constantly in dialogue with customers/clients, the broader environment, and their own employees, taking input and creating new models.

This engagement with the broader world extends beyond the industry. In the words of the survey respondents, talent incubators take a broader purview of “value creation and social impact, generating credibility and engagement beyond

products/services.” They are global and have an “impact on public policy,” while also being involved in local communities. Multiple-stakeholder view and other values are tied to business objectives, along with “contemporary thinking around the employee experience and social purpose.”

Who will be the talent incubators of the future? Perhaps the ones who have done the best job “handling recent social movements, pandemic angst, industry disruption, and the evolving world economy” today.

Editor’s note: Every ranking or index is just one way to analyze and compare companies or places, based on a specific methodology and data set. At HBR, we believe that a well-designed index can provide useful insights, even though by definition it is a snapshot of a bigger picture. We always urge you to read the methodology carefully.

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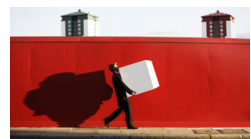
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